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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

MLC INTELLECTUAL PROPERTY, LLC,

Plaintiff,

v.

MICRON TECHNOLOGY, INC.,

Defendant.

Case No. 3:14-cv-03657 SI

MLC INTELLECTUAL PROPERTY, LLC'S MOTION TO LIFT STAY

Date: April 15, 2016
Time: 9:00 AM
Ctrm.: 1, 17th Floor

The Honorable Susan Illston

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NOTICE OF MOTION

TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

PLEASE TAKE NOTICE that on April 15, 2016, at 9:00 a.m., or as soon thereafter as the matter may be heard, before the Honorable Susan Illston, plaintiff MLC Intellectual Property, LLC ("MLC") will, and hereby does, move this Court for an order lifting the stay entered February 3, 2015. MLC's motion is made on the grounds that the stay was entered pending a decision on institution of an *inter partes* review and no *inter partes* review was instituted and the Patent Trial and Appeal Board has not decided the defendant's rehearing request for five months. The motion is based on this notice, the accompanying memorandum of points and authorities, the accompanying declaration of Daniel Weinberg, the pleadings and papers on file in this action, and such other evidence and argument as may be presented at the hearing on the motion.

MEMORANDUM OF POINTS AND AUTHORITIES

Plaintiff MLC Intellectual Property, LLC ("MLC") hereby moves the Court to lift the stay entered February 3, 2015. Dkt. No. 31. More than a year ago, this patent infringement case was stayed pending a decision to institute *inter partes* review of the asserted patent. In staying the case, the Court expressed "concern[] about the possibility of a lengthy stay" and indicated a willingness to "reevaluate the propriety of the stay at periodic intervals." *Id*. at 4.

The potential for a lengthy stay has been realized except an *inter partes* review was never instituted. After the Patent Trial and Appeal Board ("PTAB") denied defendant Micron Technology, Inc.'s ("Micron") petition, Micron filed a rehearing request. The PTAB has not decided the petition during the past five months despite its own guideline providing that such a petition will be decided within one month. As a consequence, this case has been stayed for more than one year with no substantive activity. MLC respectfully requests that the Court lift the stay and allow it to prosecute its infringement case against Micron.

I. RELEVANT BACKGROUND.

A. The Stay Is Entered Pending A Decision To Institute An *Inter Partes* Review.

This case was filed on August 12, 2014. Dkt. No. 1. MLC alleges that Micron infringes United States Patent No. 5,764,571 (the "'571 patent"). *Id*. The '571 patent is entitled

Electrically Alterable Non-Volatile Memory with N-Bits Per Cell. The '571 patent issued on June 9, 1998 and claims priority to an application filed on February 8, 1991. The '571 patent is part of a widely licensed patent portfolio related to memory technology known as Multi-Level Cell Flash. The entire portfolio is owned by MLC and the technology claimed therein was developed by one of MLC's principals, Gerald Banks.

The parties last appeared before the Court at the November 21, 2014 initial case management conference. Dkt. No. 26. Approximately one month after the initial case management conference, Micron filed its petition for *inter partes* review challenging the patentability of the asserted claims of the '571 patent. On December 29, 2014, Micron moved to stay the case pending a decision to institute the *inter partes* review, and, if instituted, through final exhaustion of the proceeding, including any appeals to the Federal Circuit. *See* Dkt. No. 31 at 3.

MLC partially opposed Micron's stay motion on the grounds that it was premature before an *inter partes* review was instituted and that a stay should not last through the exhaustion of all appeals. *See* Dkt. No. 28 at 2-3. The Court disagreed, determining that an immediate stay of the case best served the "interest of judicial efficiency." Dkt. No. 31 at 3. The Court expressed concern about "the possibility of a lengthy stay." *Id*. at 4 ("The Court is concerned about the possibility of a lengthy stay in the event the IPR is instituted and an appeal with the Federal Circuit is filed."). Consequently, the Court ordered that the "prudent course is to enter a stay now, and reevaluate the propriety of the stay at periodic intervals."[1] *Id*. The Court also held that "[a]ny concerns regarding the prematurity or duration of the stay are alleviated by the short time frame of the initial stay and the Court's willingness to reevaluate the stay if IPR is not instituted for all of the asserted claims." *Id*. On February 3, 2015, the case was stayed.[2]

[1] Specifically, the Court ordered that "[w]hen the PTO issues a decision regarding whether to institute the IPR, the parties shall file a joint letter informing the Court of the PTO's decision. If the PTO denies the IPR petition, the stay shall be lifted. If the PTO grants the IPR petition in part, either party may file a motion to lift the stay, and the Court will reevaluate whether to continue the stay in light of the PTO's determinations. In the event the PTO grants the petition in full, the stay shall continue until the PTO issues a final decision, at which time the parties shall file a letter informing the Court of the PTO's decision and the parties' positions regarding the need for a further stay." *Id*. at 4.

[2] Earlier in the day on February 3, 2015, the parties filed a Stipulation and [Proposed] Order

B. The PTAB Declines To Institute The Trial.

On July 20, 2015, the PTAB decided that Micron's petition (and a copycat petition filed by an entity known as Unified Patents) failed to demonstrate a reasonable likelihood of establishing that any of the challenged claims are unpatentable. *See* Dkt. No. 34-1 at 10-11, 15. Pursuant to the Court's stay order, the parties filed a joint status report on July 27, 2015, informing the Court of the decision not to institute an *inter partes* review. *See* Dkt. No. 34 at 1. MLC requested that the stay be lifted while Micron asked that the stay remain in place until "the PTAB rules on Micron's planned request for rehearing of the PTAB's decision refusing to institute the *inter partes* review." *Id*. at 1. Micron supported its request by noting that "[r]equests for rehearing are typically resolved quickly," and, on average, within "36 days from time of filing." *Id*. at 2, n.1 (citing IPR decisions).

On July 28, the Court issued an order continuing the stay until September 30, 2015, and requiring a joint statement from the parties by September 25, 2015. Dkt. No. 35. On September 25, the parties reported to the Court that the PTAB had not decided the rehearing request and that MLC had not been invited to file a response. Dkt. No. 37 at 1. MLC again requested that the Court lift the stay and schedule the case for a case management conference. *Id*. at 2. Micron asked that the stay be extended for another month to give the PTAB more time to decide the rehearing request. *Id*. On September 28, 2015, the Court continued the stay for another month. Dkt. No. 38 at 2.

"Rather than continue to burden the Court with monthly updates where the parties state their differing positions regarding whether a stay should be maintained," the parties jointly proposed on October 26, 2015, that the stay be extended until a decision on Micron's rehearing request. Dkt. No. 39 at 2. Nearly four months have passed since the parties' joint filing, and the PTAB still has neither invited MLC to respond to Micron's rehearing request nor issued a decision.

Regarding Briefing Schedule for the Claim Construction Hearing. When the Court stayed the case later in the day, various deadlines and events on the Court's calendar were vacated, including a March 20, 2015 case management conference and the June 10, 2015 technology tutorial and June 17 claim construction hearing. Dkt. No. 31 at 5 and Feb. 4, 2015 Docket Text.

The parties have met and conferred to discuss a joint motion to lift the stay. Micron opposes lifting the stay on the ground that it should remain in place until the PTAB decides Micron's rehearing request.

II. THE STAY SHOULD BE LIFTED.

A. *Inter Partes* Review Was Not Instituted.

"Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination." *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citations omitted). Courts likewise have the authority to lift a stay when the circumstances justifying its imposition are no longer present. *See Grobler v. Apple, Inc.*, No. 12-cv-01534-JST, 2013 WL 6441502, *2-*3 (N.D. Cal. Dec. 8, 2013) (lifting stay following decision not to institute *inter partes* review despite the existence of a pending rehearing request); *Zoll Medical Corp. v. Respironics, Inc.*, No. 12-1778-LPS, 2015 WL 4126741, *1 (D. Del. July 8, 2015) (lifting stay despite pending Federal Circuit appeal of an unsuccessful *inter partes* review).

This Court recognized a "concern" over "the possibility of a lengthy stay in the event the IPR is instituted and an appeal with the Federal Circuit is filed." Dkt. No. 31. at 4. The Court's concern was justified, except an *inter partes* review has never been instituted, and the Federal Circuit appeal has taken the form of a rehearing request. The PTAB's practice guide states that rehearing requests will be decided within one month. *See* 77 Fed. Reg. 48768 ("The Board envisions that, absent a need for additional briefing by an opponent, requests for rehearing will be decided approximately one month after receipt of the request."). Micron's own analysis shows an average of 36 days. Dkt. No. 34 at 2, n.1. Micron's petition for rehearing has been pending for nearly five months and MLC has never been invited to file a response. There is no apparent reason for the unusual delay in resolving the rehearing request or any indication a decision is forthcoming.

B. There Is No Justification For A Stay.

"In determining whether to grant a stay pending PTO review, courts consider three main factors: (1) whether discovery is complete and whether a trial date has been set; (2) whether a stay

will simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party." *Advanced Micro Devices, Inc. v. LG Elecs., Inc.*, No. 14-CV-01012-SI, 2015 WL 545534, at *2 (N.D. Cal. Feb. 9, 2015) (citing *Telemac Corp. v. Teledigital, Inc.*, 450 F.Supp.2d 1107, 1111 (N.D. Cal. 2006)). The grounds on which the stay was originally entered are no longer present.

First, an *inter partes* review is not likely to simplify the issues for trial because an *inter partes* review is not likely. Micron's petition was rejected in its entirety. *See generally* Dkt. No. 34-1. The PTAB found that one reference, the Kitamura reference, failed to "teach or suggest 'reference voltage selecting means,' or equivalent elements, or 'reference voltages,' per the challenged claims." *Id*. at 10. The PTAB also held that a second reference, the Mehrotra reference, failed to suggest the "reference voltage selecting means." *Id*. at 14; *see id.* (rejecting the petition on the additional ground that Micron failed to seek "institution of grounds over Mehrotra in combination with Kokubun, Lee, or some combination of all three"). In challenging the PTAB's denial of its petition, Micron elected only to contest the rejection of one ground—the Kitamura reference—effectively conceding that the other reference was properly rejected by the PTAB panel.

The standard of review applied to Micron's rehearing request is high. "When rehearing a decision on petition, a panel will review the decision for an abuse of discretion." 37 C.F.R. § 42.71(c). "The PTAB abuses its discretion when its decision: (1) is clearly unreasonable, arbitrary, or fanciful; (2) is based on an erroneous conclusion of law; (3) rests on clearly erroneous fact finding; or (4) involves a record that contains no evidence on which the [PTAB] could rationally base its decision." *Trustees of Columbia University in the City of New York v. Illumina, Inc.*, 620 Fed. Appx. 916, 933 (Fed. Cir. 2015) (citation omitted); *Redline Detection, LLC v. Star Envirotech, Inc.*, --- F.3d ---, 2015 WL 9592608, at *4 (Fed. Cir. Dec. 31, 2015). The success rate for rehearing requests directed to institution decisions is less than 5%. *See* Declaration of Daniel Weinberg, Ex. A at 13-14 (examining nearly 500 requests for rehearing decided between January 2013 and July 2015 and finding that 95% of the rehearing requests directed to institution decisions are denied). Accordingly, there is only a slim chance that an *inter*

partes review will be instituted when the PTAB ultimately decides Micron's rehearing request. That remote possibility is not sufficient to justify the continued stay of this case.

Second, the continued delay associated with the stay will prejudice MLC. Congress created *inter partes* review to expedite patent disputes. *See PersonalWeb Technologies, LLC v. Facebook, Inc.*, No. 5:13-cv-01356-EJD, 2014 WL 116340, *2 (N.D. Cal. Jan. 13, 2014) (explaining that Congress created *inter partes* review to "'create a timely, cost-effective alternative to litigation'"). "The AIA requires a final determination by the PTO in an IPR proceeding within one year, which may be extended up to six months based upon a showing of good cause." *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, No. 13-03587, 2014 WL 4802426, *2 (N.D. Cal. Sept. 26, 2014) (citing 35 U.S.C. § 316(a)(11)). Even rehearing requests are supposed to be resolved quickly. 77 Fed. Reg. 48768 (one month). Here, the case has already been stayed for more than a year and no *inter partes* review was instituted. The Court recognized a "concern" over the "possibility of a lengthy stay" and managed that concern, like several other courts, by reevaluating "the stay if IPR is not instituted for all of the asserted claims." Dkt. No. 31 at 4; *see also DSS Tech. Management, Inc. v. Apple, Inc.*, No. 14-cv-05330-HSG, 2015 WL 1967878, at *3 (N.D. Cal. May 1, 2015) ("[E]ither party may file a motion to lift the stay if any part of the petitions for IPR are denied by the PTO."); *Evolutionary Intelligence LLC v. Yelp, Inc.*, No. C-13-03587-DMR, 2013 WL 6672451, at *10 (N.D. Cal. Dec. 18, 2013) ("[I]f the PTO decides not to grant any of the pending IPR petitions, the court will permit a motion to immediately lift the stay."); *Pi-Net Int'l, Inc. v. Focus Bus. Bank*, No. C-12-4958-PSG, 2013 WL 4475940, at *5 (N.D. Cal. Aug. 16, 2013) ("In the event that the PTO denies SAP's IPR petitions, the court will permit a motion to immediately lift the stay."); *Robert Bosch Healthcare Sys. Inc. v. Cardiocom, LLC*, No. C-14-1575-EMC, 2014 WL 3107447, at *6 (N.D. Cal. July 3, 2014) ("The Court retains the discretion to lift the stay once the IPR is completed before the PTAB; it may do so even if an appeal is filed and reexamination of other claims are pending.").

The PTAB did not institute a trial over any asserted claim. There is no time estimate for a decision on Micron's rehearing request. The remote possibility that the PTAB will reconsider its initial denial and initiate a trial after not inviting MLC to respond to the request and taking an

extended period to consider the request does not, MLC submits, justify further delaying this case from proceeding. *See Zoll Medical*, 2015 WL 4126741 at *1 ("The pendency of an appeal from the IPR, and the possibility that the Federal Circuit may reverse the PTO (and thereby simplify this litigation by, presumably, making it disappear), is not, in and of itself, a sufficient basis to make the patentee here continue to wait to enforce patent rights that it currently holds."); *see also Grobler*, 2013 WL 6441502 at *2-*3.

Finally, though the case remains at an early stage, this factor is self-executing. The case was stayed at an early stage and as long as it remains stayed, discovery will continue to be incomplete and no trial date will be set. When balanced against the other factors, the early stage of the case does not weigh heavily in favor of continuing the stay.

III. CONCLUSION.

For the foregoing reasons, MLC respectfully requests that the Court lift the stay and schedule a case management conference so that this case may resume.

Dated: February 24, 2016

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